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Deson Development International Holdings Limited

迪臣發展國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 262)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2017

The board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2017, together with the comparative figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	4	**199,683**	91,467
Cost of sales		**(137,650)**	(56,671)
Gross profit		**62,033**	34,796
Other income and gains	4	**32,168**	49,500
Fair value gain on investment properties, net		**34,713**	262,341
Administrative expenses		**(70,564)**	(70,059)
Other operating income/(expenses), net		**3,024**	(37,146)
Finance costs	5	**(24,799)**	(33,019)
Share of profits and losses of associates		**1,616**	483
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**38,191**	206,896
Income tax expense	6	**(35,069)**	(73,171)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**3,122**	133,725

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)
Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	*8*	**174,863**	14,061
PROFIT FOR THE YEAR		**177,985**	147,786
Attributable to:			
Owners of the Company		**144,934**	140,998
Non-controlling interests		**33,051**	6,788
		177,985	147,786
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*9*		
Basic and diluted			
– For profit for the year		**HK14.82 cents**	HK17.68 cents
– For profit from continuing operations		**HK0.34 cent**	HK16.76 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**177,985**	147,786
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	**(2,801)**	(991)
Exchange differences on translation of foreign operations	**(67,145)**	(31,638)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(69,946)**	(32,629)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods:		
Surplus/(deficit) on revaluation of leasehold land and buildings	**25,034**	(3,002)
Income tax effect	**(4,630)**	655
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods	**20,404**	(2,347)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(49,542)**	(34,976)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**128,443**	112,810
Attributable to:		
Owners of the Company	**96,025**	107,394
Non-controlling interests	**32,418**	5,416
	128,443	112,810

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**217,258**	221,282
Investment properties		**887,841**	1,056,900
Goodwill		**–**	–
Investments in associates		**98,260**	127
Available-for-sale investments		**21,641**	21,641
Pledged deposits		**–**	462,000
Total non-current assets		**1,225,000**	1,761,950
CURRENT ASSETS			
Due from associates		**356**	4,964
Due from an investee		**–**	100
Due from related companies		**2,637**	1,347
Properties held for sale under development and properties held for sale		**1,075,972**	1,075,959
Gross amount due from contract customers		**–**	31,929
Inventories		**8,444**	14,456
Accounts receivable	*10*	**34,586**	110,635
Prepayments, deposits and other receivables		**35,445**	80,896
Equity investments at fair value through profit or loss		**4,329**	8,124
Tax recoverable		**–**	2,490
Pledged deposits		**182,900**	152,127
Cash and cash equivalents		**67,073**	57,689
		1,411,742	1,540,716
Assets of a disposal group classified as held for sale	*13*	**146,316**	–
Total current assets		**1,558,058**	1,540,716
CURRENT LIABILITIES			
Gross amount due to contract customers		**–**	114,914
Accounts payable	*11*	**9,149**	47,353
Other payables and accruals		**254,471**	288,821
Due to associates		**5,549**	48
Due to a non-controlling shareholder		**–**	1,500
Tax payable		**51,075**	82,301
Interest-bearing bank and other borrowings		**512,978**	653,841
		833,222	1,188,778
Liabilities directly associated with the assets classified as held for sale	*13*	**68,721**	–
Total current liabilities		**901,943**	1,188,778
NET CURRENT ASSETS		**656,115**	351,938

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 March 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
NET CURRENT ASSETS		**656,115**	351,938
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,881,115**	2,113,888
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**277,415**	560,040
Deferred tax liabilities		**146,987**	172,599
Total non-current liabilities		**424,402**	732,639
Net assets		**1,456,713**	1,381,249
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*12*	**97,788**	97,788
Reserves		**1,358,805**	1,262,478
		1,456,593	1,360,266
Non-controlling interests		**120**	20,983
Total equity		**1,456,713**	1,381,249

NOTES TO ANNUAL RESULTS

31 March 2017

1. CORPORATE AND GROUP INFORMATION

Deson Development International Holdings Limited (the "**Company**") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following activities:

- the construction business, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, Mainland China and Macau;
- property development and investment;
- trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market; and
- investment in securities.

As further set out in note 8 to the annual results, following the partial disposal of Deson Construction International Holdings Limited ("**DCIHL**") and its subsidiaries (the "**DCIHL Group**") on 31 March 2017, the Group has ceased the construction business as a main contractor, decoration, as well as the provision of electrical and engineering services, and the investment in securities as its principal activities, starting from the same date onwards.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments at fair value through profit or loss which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if it this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of HKFRSs*

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

   (i) the materiality requirements in HKAS 1;

   (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

   (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

   (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are to be applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the property development and investment business segment is engaged in property development of residential and commercial properties and the holding of investment properties;

(b) the "others" segment comprises, principally, the trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as the trading of various granite and marble products, stone slabs and products for construction market;

(c) the construction business segment is engaged in construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services; and

(d) the securities investment segment is engaged in investment in securities.

During the year, management of the Group reassessed the Group's segment reporting and decided that for financial reporting purposes, there was a new reportable operating segment as the resources allocation, performance assessment and decision making of the investment in securities operation were considered separately. On 31 March 2017, the Group disposed of and discontinued its operations of the construction business and securities investment. Further details regarding the discontinued operations are set out in note 8 to the annual results.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that interest and dividend income, certain fair value gain on equity investments at fair value through profit or loss, unallocated expenses, finance costs, share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, other unallocated head office and corporate assets and assets of a disposal group classified as held for sale as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities, including certain interest-bearing bank and other borrowings, tax payable, deferred tax liabilities and liabilities directly associated with the assets classified as held for sale, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 March 2017

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:							
Sales to external customers	168,400	31,283	199,683	872,762	45,042	917,804	1,117,487
Other income and gains	13,165	1,001	14,166	953	–	953	15,119
	181,565	32,284	213,849	873,715	45,042	918,757	1,132,606
Segment results							
Operating profit	54,969	1,465	56,434	31,135	43,522	74,657	131,091
Reconciliation:							
Interest income			17,429			228	17,657
Dividend income			43			–	43
Gain on disposal of subsidiaries			–			106,373	106,373
Fair value gain on equity investments at fair value through profit or loss			530			–	530
Unallocated expenses			(13,062)			(1,406)	(14,468)
Finance costs			(24,799)			(2,955)	(27,754)
Share of profits and losses of associates			1,616			–	1,616
Profit before tax			38,191			176,897	215,088
Segment assets	2,226,190	25,337	2,251,527	–	–	–	2,251,527
Reconciliation:							
Investments in associates			98,260			–	98,260
Corporate and other unallocated assets			286,955			–	286,955
Assets of a disposal group classified as held for sale			146,316			–	146,316
Total assets			2,783,058			–	2,783,058

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	**928,353**	**10,318**	**938,671**	–	–	–	**938,671**
Reconciliation:							
Corporate and other unallocated liabilities	–	–	**318,953**	–	–	–	**318,953**
Liabilities directly associated with the assets classified as held for sale	–	–	**68,721**	–	–	–	**68,721**
Total liabilities			**1,326,345**			–	**1,326,345**
Other segment information:							
Fair value gain on investment properties, net	**(34,713)**	–	**(34,713)**	**(748)**	–	**(748)**	**(35,461)**
Loss on disposal of items of property, plant and equipment	**347**	**8**	**355**	–	–	–	**355**
Impairment of other receivables	**10,096**	–	**10,096**	–	–	–	**10,096**
Impairment of accounts receivable	–	**651**	**651**	–	–	–	**651**
Provision for inventories	**110**	**194**	**304**	–	–	–	**304**
Reversal of impairment of properties held for sale	**(12,650)**	–	**(12,650)**	–	–	–	**(12,650)**
Depreciation	**7,260**	**1,776**	**9,036**	**808**	–	**808**	**9,844**
Capital expenditure*	**64**	**4,130**	**4,194**	**150**	–	**150**	**4,344**

* Capital expenditure represents additions of property, plant and equipment.

Year ended 31 March 2016

	Continuing operations			Discontinued operations			
	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*	Construction business *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*	Total *HK$'000* *(Restated)*
Segment revenue:							
Sales to external customers	59,546	31,921	91,467	812,954	794	813,748	905,215
Other income and gains	30,606	1,511	32,117	942	–	942	33,059
	90,152	33,432	123,584	813,896	794	814,690	938,274
Segment results							
Operating profit	233,530	4,064	237,594	14,314	794	15,108	252,702
Reconciliation:							
Interest income			16,619			255	16,874
Dividend income			764			–	764
Unallocated expenses			(15,545)			(1,675)	(17,220)
Finance costs			(33,019)			(467)	(33,486)
Share of profits and losses of associates			483			–	483
Profit before tax			206,896			13,221	220,117
Segment assets	2,344,982	29,193	2,374,175	219,563	8,124	227,687	2,601,862
Reconciliation:							
Investments in associates			127			–	127
Corporate and other unallocated assets			660,456			40,221	700,677
Total assets			3,034,758			267,908	3,302,666

	Continuing operations			Discontinued operations			
	Property development and investment business	Others	Total	Construction business	Securities investment	Total	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	1,335,017	11,776	1,346,793	195,108	–	195,108	1,541,901
Reconciliation:							
Corporate and other unallocated liabilities			342,622			36,894	379,516
Total liabilities			1,689,415			232,002	1,921,417
Other segment information:							
Fair value loss/(gain) on investment properties, net	(262,341)	–	(262,341)	420	–	420	(261,921)
Loss on disposal of items of property, plant and equipment	19	3	22	21	–	21	43
Impairment of other receivables	2,112	–	2,112	–	–	–	2,112
Impairment of accounts receivable	–	–	–	3,903	–	3,903	3,903
Provision for inventories	–	1,980	1,980	–	–	–	1,980
Impairment of properties held for sale	35,574	–	35,574	–	–	–	35,574
Depreciation	5,940	79	6,019	830	–	830	6,849
Capital expenditure*	669	203	872	98	–	98	970

* Capital expenditure represents additions of property, plant and equipment.

Geographical information

(a) Revenue from external customers

	Hong Kong		**Mainland China**		**Consolidated**	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		*(Restated)*		*(Restated)*
Segment revenue:						
Sales to external customers	**713,813**	560,439	**403,674**	344,776	**1,117,487**	905,215
Attributable to discontinued operations	**(699,771)**	(545,517)	**(218,033)**	(268,231)	**(917,804)**	(813,748)
Revenue from continuing operations	**14,042**	14,922	**185,641**	76,545	**199,683**	91,467

The revenue information above is based on locations of customers.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**153,581**	154,762
Mainland China	**951,518**	1,585,420
	1,105,099	1,740,182

The non-current assets information above is based on the locations of the assets and excludes investment in associates and available-for-sale investments.

4. REVENUE, OTHER INCOME AND GAINS

Revenue from continuing operations represents income from property development and investment; the net invoiced value of goods sold, after allowances for returns and trade discounts; and the provision of related installation and maintenance services.

An analysis of revenue, other income and gains from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Revenue		
Income from property development and investment business	**168,400**	59,546
Income from trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market	**31,283**	31,921
	199,683	91,467
Other income and gains from continuing operations		
Bank interest income	**17,429**	16,619
Dividend income	**43**	764
Gross rental income	**11,540**	28,270
Fair value gain on equity investments at fair value through profit or loss	**530**	–
Others	**2,626**	3,847
	32,168	49,500

5. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans and overdrafts	**67,222**	82,119
Less: Interest capitalised	**(42,423)**	(49,100)
	24,799	33,019

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

Land appreciation tax ("LAT") in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Current – Elsewhere		
Charge for the year	**4**	6,743
Overprovision in prior years	**(2,059)**	–
Deferred	**8,137**	64,508
LAT in Mainland China	**28,987**	1,920
Total tax charge from continuing operations for the year	**35,069**	73,171

7. DIVIDEND

	2017	2016
	HK$'000	*HK$'000*
Proposed final – HK0.5 cent per ordinary share (2016: Nil)	**4,890**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. DISCONTINUED OPERATIONS

On 11 January 2017, Deson Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent for the placing of 200,000,000 shares of DCIHL to independent placees (the "**Placing**"). Upon the completion of the Placing on 31 March 2017, the Group indirectly holds 311,769,868 ordinary shares of DCIHL, representing approximately 31.18% of the existing issued share capital of DCIHL and the Group's equity interest in DCIHL has decreased from 51.18% to 31.18%. As such, the Group no longer has control over the DCIHL Group which ceased to be subsidiaries of the Group and have become associates of the Group. As the DCIHL Group was disposed of on 31 March 2017, the construction business and securities investment operations of the DCIHL Group were classified as discontinued operations.

The results of the discontinued operations for the year are presented below:

	2017	2016
	HK$'000	*HK$'000*
Revenue	**917,804**	813,748
Cost of sales	**(815,150)**	(765,653)
Other income and gains	**1,181**	1,197
Fair value gain/(loss) on investment properties	**748**	(420)
Administrative expenses	**(30,261)**	(31,273)
Other operating expenses, net	**(843)**	(3,911)
Finance costs	**(2,955)**	(467)
Profit before tax from the discontinued operations	**70,524**	13,221
Gain on disposal of the DCIHL Group	**106,373**	–
	176,897	13,221
Income tax credit/(expense)	**(2,034)**	840
Profit for the year from discontinued operations	**174,863**	14,061

The carrying amounts of assets and liabilities of the DCIHL Group at the date of completion of the Placing are set out in note 14.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2016: 797,696,205) in issue during the year.

No adjustment was made to the basic earnings per share amount presented for the years ended 31 March 2017 and 31 March 2016 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount for the years ended 31 March 2017 and 31 March 2016.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**3,304**	133,726
From discontinued operations	**141,630**	7,272
Profit attributable to ordinary equity holders of the parent	**144,934**	140,998

10. ACCOUNTS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Accounts receivable	**35,673**	76,699
Impairment	**(1,087)**	(8,714)
	34,586	67,985
Retention monies receivable	**–**	42,650
	34,586	110,635

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Current to 90 days	**13,571**	59,312
91 to 180 days	**4,094**	6,177
181 to 360 days	**16,598**	848
Over 360 days	**323**	1,648
	34,586	67,985
Retention monies receivable	**–**	42,650
Total	**34,586**	110,635

11. ACCOUNTS PAYABLE

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Current to 90 days	**1,221**	33,577
91 to 180 days	**–**	3,677
181 to 360 days	**39**	–
Over 360 days	**7,889**	10,099
	9,149	47,353

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

12. SHARE CAPITAL

	2017 *HK$'000*	2016 *HK$'000*
Authorised:		
1,500,000,000 (2016: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 (2016: 977,880,400) ordinary shares of HK$0.10 each	**97,788**	97,788

A summary of movements in the Company's share capital and share premium account is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2015		651,840,267	65,184	173,678	238,862
Shares repurchased	*(i)*	(500,000)	(50)	(272)	(322)
Shares repurchase expenses	*(i)*	–	–	(7)	(7)
Share options exercised	*(ii)*	580,000	58	436	494
Issue of shares	*(iii)*	325,960,133	32,596	71,711	104,307
Shares issue expenses	*(ii), (iii)*	–	–	(2,506)	(2,506)
At 31 March 2016, 1 April 2016 and 31 March 2017		977,880,400	97,788	243,040	340,828

Notes:

(i) In the prior year, the Company repurchased a total of 500,000 of its own shares on the Stock Exchange at a price ranging from HK$0.64 to HK$0.65 per share at a total consideration, before expenses, of HK$322,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$50,000 was transferred from retained profits to the capital redemption reserve. The premium of HK$272,000 paid on the repurchased shares and shares repurchase expenses of HK$7,000 were charged against the share premium account.

(ii) In the prior year, the subscription rights attaching to 580,000 share options were exercised at the subscription price of HK$0.71 per share, resulting in the issue of 580,000 shares for a total cash consideration, before expenses, of HK$412,000, which was credited to the share premium account. The corresponding share option reserve of HK$82,000 was released, of which HK$58,000 was credited to share capital and the remaining HK$24,000 was credited to the share premium account.

The related share issue expenses of HK$10,000 were charged against the share premium account.

(iii) In the prior year, on 27 November 2015, the Company entered into an underwriting agreement for an open offer of shares with an underwriter, pursuant to which the Company agreed to issue not less than 325,960,133 shares and not more than 330,670,133 shares of the Company through the underwriter at HK$0.32 each. On 13 January 2016, 325,960,133 ordinary shares of the Company of HK$0.10 each were issued for cash of HK$0.32 per share for a total cash consideration, before related expenses, of HK$104,307,000.

The premium of HK$71,711,000 received on the issue of shares was credited to the share premium account. The related expenses of HK$2,496,000 were charged against the share premium account.

13. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 30 September 2016, the Company and Deson Ventures Limited ("DVL"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of Yew Siang Limited ("Yew Siang"), a subsidiary of DVL. Yew Siang and its subsidiary are mainly engaged in property investment in the PRC. As at 31 March 2017, as one of the default terms in the sale and purchase agreement had not been fulfilled, Yew Siang and its subsidiary were classified as a disposal group held for sale.

As at 31 March 2017, the major classes of assets and liabilities of Yew Siang and its subsidiary classified as held for sale are as follows:

	HK$'000
Assets	
Property, plant and equipment	**27**
Investment properties	**131,532**
Properties held for sale	**530**
Prepayments, deposits and other receivables	**13,513**
Cash and cash equivalents	**714**
Assets classified as held for sale	**146,316**
Liabilities	
Other payables and accruals	**(2,532)**
Tax payable	**(36,679)**
Deferred tax liabilities	**(29,510)**
Liabilities directly associated with the assets classified as held for sale	**(68,721)**
Net assets directly associated with the disposal group	**77,595**

14. DISPOSAL OF SUBSIDIARIES

As disclosed in note 8, Deson Development Holdings Limited, a wholly-owned subsidiary of the Company, entered into a placing agreement with a placing agent for the placing of 200,000,000 shares of DCIHL to independent placees. Upon the completion of the Placing on 31 March 2017, DCIHL and its subsidiaries ceased to be subsidiaries of the Group. The net assets of the DCIHL Group at the date of disposal on 31 March 2017 were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	**19,729**
Investment properties	**10,961**
Gross amount due from contract customers	**27,780**
Due from related companies	**5,900**
Accounts receivable	**129,431**
Prepayments, deposits and other receivables	**29,346**
Equity investments at fair value through profit or loss	**65,301**
Tax recoverable	**1,079**
Pledged deposits	**32,780**
Cash and cash equivalents	**49,042**
Gross amount due to contract customers	**(124,840)**
Accounts payable	**(27,786)**
Other payables and accruals	**(72,295)**
Due to a non-controlling shareholder	**(1,500)**
Due to a related company	**(14)**
Tax payable	**(1,134)**
Derivative component of convertible bonds	**(8,321)**
Interest-bearing bank borrowings	**(4,455)**
Liability component of convertible bonds	**(25,600)**
Deferred tax liabilities	**(2,873)**
Non-controlling interests	**(53,575)**
	48,956
Exchange fluctuation reserve	**(998)**
	47,958
Gain on disposal of subsidiaries	**106,373**
Transaction costs	**2,327**
	156,658

	HK$'000
Satisfied by:	
Cash and cash equivalents	**60,000**
Investments in associates	**96,658**
	156,658

15. COMPARATIVE AMOUNTS

As a result of the partial disposal of the DCIHL Group, as further detailed in note 8, the comparative amounts in the consolidated statement of profit or loss have been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's major business segments during the year comprise (i) property development and investment; (ii) trading of medical equipment and home security and automation products, and provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market; (iii) construction as a main contractor and decoration, as well as the provision of electrical and mechanical ("**E&M**") engineering services; and (iv) investment in securities.

On 11 January 2017, the Company, through its wholly owned subsidiary, signed a placing agreement with a placing agent, to place 200,000,000 shares of Deson Construction International Holdings Limited ("**Deson Construction**") at HK$0.30 each ("**Placing**") and all the 200,000,000 Deson Construction shares were successfully placed out. Upon completion of the Placing, Deson Construction and its subsidiary ("**Deson Construction Group**") ceased to be subsidiaries of the Group and the construction and investment in securities businesses have been discontinued. The Group (after the partial disposal of the DCIHL Group) will continue to concentrate on (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services as well as trading of various granite and marble products, stone slabs and products for construction market.

Continuing operations

The Group's turnover for the year ended 31 March 2017 from continuing operations recorded at approximately HK$199,683,000 (2016: HK$91,467,000) which represented an increase of 118% compared with last year.

Property development and investment business

During the Reporting Period, China's property market sentiment was positive and the Group's projects in Mainland China, which benefited from favourable Government policies, performed satisfactorily. The Group's turnover for the year ended 31 March 2017 from this segment recorded at approximately HK$168,400,000 (2016: HK$59,546,000), which represented an increase of 183% as compared with last year. The significant increase was mainly due to the sales of six-floor offices (6,235 square ("**sq**") metres) to a customer with sales amounted to approximately HK$110 million and a profit recognised (before taxation) of approximately HK$23 million.

However, in the prior year, we transferred one of our properties held for sale to investment properties which in turn caused a significant increase in fair value gain on investment properties. In the current year, segment operating profit generated from the property development and investment business amounted to approximately HK$54,969,000 representing a decrease of 76% as compared to last year. This is mainly due to the combined effect of (i) the significant decrease in fair value gain on investment properties (after deferred taxation) in the amount of approximately HK$26,035,000 (2016: HK$196,756,000); and (ii) significant sale of offices of the World Expo Plaza at Kaifeng during the year.

Earnings per share from continuing operations is approximately HK0.34 cent.

On 30 September 2016, the Group entered into a sale and purchase agreement to dispose of Yew Siang Limited ("**Disposal**"), an indirect wholly-owned subsidiary, to an independent third party. Yew Siang Limited and its subsidiary own the Starway Parkview South Station Hotel. It is intended that it will be converted into and operated as service apartments.

The Disposal is expected to be completed in July 2017.

Discontinued operations

Construction business

During the Reporting Period, the Group's turnover from construction segment amounted to approximately HK$872,762,000 (2016: approximately HK$812,954,000), increased by approximately 7.4% as compared to last year. The increase in turnover was mainly due to (i) turnover was started to be recognised for several new E&M projects that were granted after last year end. These projects include fire services and MVAC installation of Multimedia Production and Distribution Centre at Tseung Kwan O Industrial Estate, New Territories, Hong Kong and the term contract for Building Services Works at the Sogo Department Store, Causeway Bay, Hong Kong; and (ii) more fitting-out projects were granted during the year. These projects include (i) Prada shop, Harbour City, Tsim Sha Tsui, Hong Kong (contract sum: approximately HK$41,000,000); (ii) residential house and club house at Stubbs Road, Hong Kong (contract sum: approximately HK$40,000,000); and (iii) residential apartment at Henderson Road, Hong Kong (contract sum: approximately HK$26,000,000). During the reporting period, the Group completed or substantially completed projects such as acting as the main contractor for the development of one residential house and associated external works including construction of substructure and superstructure works, building services and interior fitting-out works at Hoi Fung Path, Stanley, Hong Kong; main contractor works for the development of a 12-storey residential building at Stubbs Road, Hong Kong; main contractor for the development of eight residential houses, clubhouse and associated external work at Pik Sha Road, Sai Kung, Hong Kong; building services installation of 36-classroom at a primary school in Area 36, Fanling, New Territories; building services installation for construction of two special schools at Sung On Street, To Kwa Wan, Kowloon; air-conditioning mechanical ventilation and electrical installation for the extension of PRC Ministry of Foreign Affairs Building at Borrett Road, Hong Kong for PRC Ministry of Foreign Affairs; fitting-out works including E&M works for three Prada/Miu Miu shops at Wynn Palace, Macau; fitting-out works at Harbour City, Canton Road, Tsim Sha Tsui, Hong Kong; and fitting-out works, air-conditioning and ventilation works, plumbing and drainage works, floor heating works and electrical works for a staff social center in Suning, Hebei, the PRC.

Investment in securities business

The investment in marketable securities commenced in the last quarter of the year ended 31 March 2016. As the overall market condition of the Hong Kong stock market improved, the Group recorded a realised gain and a net unrealised loss of approximately HK$47,042,000 and HK$2,174,000, respectively (2016: realised gain of HK$70,000 and unrealised gain of HK$724,000). Details of the profit from sale of marketable securities are disclosed under the section "**SIGNIFICANT INVESTMENTS**". As Deson Construction Group are no longer subsidiaries of the Group, the equity investments held by Deson Construction Group as at 31 March 2017 were not reflected on the consolidated statement of financial position of the Group.

Financial impact of the Placing

Upon completion of the Placing, Deson Construction Group ceased to be consolidated into the accounts of the Group. The Group classified its interest in Deson Construction as an investment in associate, which will be initially recognised at fair value and accounted for using the equity method subsequently. The gain on disposal of Deson Construction Group amounted to approximately HK$106,373,000.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2017, the Group's turnover from continuing operations amounted to HK$200 million, increased by 118% as compared to last year. The increase was due to the Group's one-off gain from disposal of a six-storey office premises in Kaifeng City, Henan Province of the People's Republic of China (the "**PRC**").

The Group's turnover from discontinued operations amounted to HK$918 million, increased by 13% as compared to last year. The increase was due to (i) more revenue was recognised from E&M projects that were granted after last year end; (ii) commencement of the investment in marketable securities business since last quarter of the year ended 31 March 2016; and (iii) the additional fitting-out works contracts granted.

Turnover generated from property development and investment business, trading of medical equipment and home securities and automation products as well as trading of various granite and marble products, stone slabs and products for construction market, construction contracting business and investment in securities business amounted to approximately HK$169 million, HK$31 million, HK$873 million and HK$45 million, respectively, which represent an increase of 183%, decrease of 2%, increase of 7% and increase of 94%, respectively as compared to last year.

Gross profit margin

During the year ended 31 March 2017, the Group's gross profit margin from the continuing operations was approximately 31%, decrease by 7 percentage points as compared to last year's 38%, mainly driven by rental proportion in turnover from property development and investment segment is higher in last year where the gross profit margin of rental is much higher than the sale of property, as a result, the overall gross profit margin is lower than last year.

Liquidity and financial resources

As at 31 March 2017, the Group had total assets of HK$2,783,058,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of HK$1,326,345,000, HK$1,456,593,000 and HK$120,000, respectively. The Group's current ratio at 31 March 2017 was 1.73 compared to 1.30 at 31 March 2016.

The gearing ratio for the Group is 23% (31 March 2016: 35%). It was calculated based on the non-current liabilities of HK$424,402,000 (31 March 2016: HK$732,639,000) and long term capital (equity and non-current liabilities) of HK$1,881,115,000 (31 March 2016: HK$2,113,888,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2017 was approximately HK$4,344,000, and was mainly used in the purchase of items of property, plant and equipment.

Contingent liabilities

At the end of the reporting date, the Group had no significant contingent liabilities.

Commitments

At the end of the reporting date, the Group had no significant capital commitments.

Charges on group assets

Assets with carrying value of HK$1,209,757,000 were pledged as securities for the Group's banking facilities.

Treasury policies

The Directors will continue to follow a prudent policy in managing its cash balances and maintaining strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, in the PRC, the Group will take into consideration the RMB fund planning to adequately finance this project. Interest for the current bank borrowings was mainly on a floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and RMB. Hence, there is no significant exposure to foreign exchange rate fluctuations.

Exchange risk exposure

The Group mainly exposes to the RMB currency, arising from relevant group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

SIGNIFICANT INVESTMENTS

During the year ended 31 March 2017, the Group disposed of some of the investments on the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$127 million and a net gain recognised in revenue amounted to approximately HK$47 million. Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds *HK$'000*	Realised gain/(loss) *HK$'000*
Wealth Glory Holdings Limited	8269	Cayman Islands	7,712	(412)
AP Rentals Holdings Limited	1496	Cayman Islands	5,796	2,009
Hypebeast Limited	8359	Cayman Islands	25,320	21,380
Expert Systems Holdings Limited	8319	Cayman Islands	5,728	3,455
Master Glory Group Limited	275	Bermuda	933	(32)
Huisheng International Holdings Limited	1340	Cayman Islands	2,880	(90)
Ever Harvest Group Limited	1549	Cayman Islands	5,241	468
Sandmartin International Holdings Limited	482	Bermuda	1,118	(165)
Royal Catering Group Holdings Company Limited	8300	Cayman Islands	9,339	4,793
CROSSTEC Group Holdings Limited	3893	Cayman Islands	2,552	280
Shun Wo Group Holdings Limited	1591	Cayman Islands	9,995	1,076
Goal Forward Holdings Limited	8240	Cayman Islands	3,946	537
Allied Sustainability and Environmental Consultants Group Limited	8320	Cayman Islands	3,058	795
Altus Holdings Limited	8149	Cayman Islands	13,011	9,148
China Art Financial Holdings Limited	1572	Cayman Islands	7,011	950
Jia Meng Holdings Limited	8101	Cayman Islands	1,123	218
Pantronics Holdings Limited	1611	British Virgin Islands	2,805	(498)
CMON Limited	8278	Cayman Islands	5,321	675
K W Nelson Interior Architect Group Limited	8411	Cayman Islands	2,794	774
Winto Group (Holdings) Limited	8238	Cayman Islands	5,206	116
OOH Holdings Limited	8091	Cayman Islands	6,475	1,565
			127,364	47,042

PROSPECT

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 221,000 square ("**sq.**") metres. Up to now, a gross floor area of 190,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB755 million. The remaining of the land is under construction, and it is expected the construction will be completed by end of 2017 and will be started to be sold in fourth quarter of 2017.

On 16 February 2012, the Group has successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng. The Directors intended to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 100,000 sq. metres. Up to now, gross floor area of 20,000 sq. metres was completed. It includes two commercial buildings with gross floor area of 15,000 sq. metres and an animation theatre with gross floor area of around 5,000 sq. metres. The total sales contract sum achieved from the sales of commercial properties amounted to approximately RMB156 million. The animation theatre is named "**Qing-Ming Riverside Anime Exhibition**" and is used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. It is intended to become a tourist spot at Kaifeng City. It is expected that the construction of the whole project will be completed by 2018.

In September 2014, the Group was granted another land use right in city of Kaifeng, the PRC, named as Zhu Ji Lane ("珠璣巷"). The Directors intend to develop a commercial street project with a total gross floor area of approximately 13,000 sq. metres. It was put in use during 27th World Hakka Conference which was held in October 2014. As of now, the project has been completed. The total contract sum achieved for the sales of this area amounted to approximately RMB2 million. Most of the units have already been rented out during the year.

The Central People's Government of the PRC continued its relaxation policies towards the property sector in the mainland, with the lowering of down-payment proportion, alleviation of tax charges and easing of credit. This served to spur demand across all cities, which rendered an overall increase in price and volume in the property market. The local governments adopted different policies to regulate the market demand and supply to cope with their own conditions and specific needs. To bring about the long term and healthy development of the property market, many significant policies were put forward by the Central People's Government of the PRC during the period, which included the stimulation of both end-user and upgrading demands, the establishment of a housing regime to accommodate rental and buying demands, the implementation of the reform from Business Tax to Value Added Tax in the real estate sector, as well as the comprehensive registration of the immovable assets nationwide.

The Board remains optimistic about the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business. The Group may acquire additional land to enrich the Group's land reserve, specifically in the second and third-tier cities in the PRC where the markets continue to be bullish and growth potential is consistently increasing. However, the Group has no specific investment plan in relation to any particular project currently.

Regarding the disposal of the Starway Parkview South Station Hotel ("**Target Property**") in Shanghai, it is intended that the Target Property will be converted into and operated as service apartments. The Board considers that the Disposal will bring in a strategic shareholder with strong real estate management background which will help to improve the long term growth potential of the Target Property, which will in turn be beneficial to the Group and shareholders as a whole. The Target Property is a mature asset, which whilst providing a stable rental income, does not have the growth in terms of earnings expected by the Board. The Company wishes to realise the full value of the Target Property. The Disposal enables the Group to recycle capital into future investment opportunities. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. On the other hand, the Group would retain 30% equity interest at Yew Siang which enables the Group to continue to have a share of profit from the long term growth potential of the Target Property.

Trading of medical equipment and home security and automation products

With rising affluence especially in Hong Kong and the major cities in the PRC, consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipment, and the Group's efforts on trading of medical equipment should continue to pay off in terms of sales growth and market penetration in the PRC. In the coming year, the Group will expand its distribution channels and introduce a broader range of products to spur sales growth.

Also, with the increasing safety awareness in Hong Kong and the major cities in the PRC, it is expected there will be high demand for wired and wireless security devices and systems, which are applicable to residential estates, commercial offices, shops, hotels, hospitals, museums and prisons.

Going forward, the uncertainty in the world economy and the slowdown in economic growth in the mainland will continue to pose challenges to the business. The tightening policies such as restrictions on home purchase as a part of its efforts to control inflation and maintain a stable and healthy economic growth, also caused certain negative impact on the mainland property market. However, it is expected that the economy of the PRC will sustain healthy growth, and Hong Kong remains well positioned to benefit from the PRC's continuing growth and development, as such, the Group remains optimistic in the long run and has confidence in the growth momentum in the PRC and Hong Kong.

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the fluctuated operating environment. The Directors will continue to dedicate their best effort to maximise the best interests for the shareholders of the Company.

USE OF PROCEEDS FROM THE OPEN OFFER

On 27 November 2015, the Company entered into an underwriting agreement for an open offer of shares with an underwriter, pursuant to which the Company agreed to issue not less than 325,960,133 shares and not more than 330,670,133 shares of the Company through the underwriter at HK$0.32 each. On 13 January 2016, 325,960,133 ordinary shares of the Company of HK$0.10 each were issued for cash of HK$0.32 per share for a total cash consideration, after related expenses, of HK$101.8 million.

As at 31 March 2017, the net proceeds had been utilised as follows:

	Actual net proceeds *HK$ million*	Amount utilised up to 31 March 2017 *HK$ million*	Balance as at 31 March 2017 *HK$ million*
Repayment of the term loan and accrued interest	**20.0**	**20.0**	**–**
Injection to the e-commerce projects	**36.2**	**36.2**	**–**
General working capital	**45.6**	**45.0**	**0.6**
Total	**101.8**	**101.2**	**0.6**

The planned use of proceeds as stated in the prospectus dated 18 December 2015 ("**Prospectus**") were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

HUMAN RESOURCES

As at 31 March 2017, the Group had 144 employees, 99 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses (including discontinued operations) including directors' emoluments for the year under review amounting to approximately HK$61 million as compared to HK$63 million in last year, the decrease was mainly due to expenses on share options granted to certain directors and employees of the Group in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Group offers discretionary bonus and share options to staff based on individual performance and the achievements of the Group's targets.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Except as disclosed above and as disclosed in the paragraph headed "**Capital structure**", neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2017.

CAPITAL STRUCTURE

Details of the changes of the capital structure of the Company during the year ended 31 March 2017 are set out in note 12 to the annual results.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CONTINUING CONNECTED TRANSACTIONS

On 30 May 2014, the Group entered into a tenancy agreement with Fitness Concept Limited, a company wholly-owned by Mr. Tjia Boen Sien ("**Mr. Tjia**"), the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The tenancy agreement is contracted for three years commencing 1 April 2014, and the monthly rent payable is HK$25,500. The rental income earned during the year ended 31 March 2017 from this tenancy agreement was approximately HK$306,000. This tenancy agreement was renewed ("**Revised Tenancy Agreement**") on 15 April 2017 and contracted for three years commencing 1 April 2017, and the monthly rent payable is HK$25,500.

On 29 March 2014, the Group entered into a tenancy agreement with 上海美格菲健身中心有限公司, a company wholly-owned by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Shanghai. The tenancy agreement is contracted for three years commencing 1 April 2014, and the annual rent payable is RMB100,000. The rental income earned during the year ended 31 March 2017 from this tenancy agreement was RMB48,000. This tenancy agreement was early terminated on 30 September 2016.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 42.81% equity interest in the Company at the time entering into the Revised Tenancy Agreement, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules, the transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with most of the code provisions ("Code Provisions") as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of deviation of the CG Code:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors are not appointed for a specific term. However, all independent non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2017. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters including the review of the annual results for the year ended 31 March 2017, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The annual results of the Company for the year ended 31 March 2017 have been reviewed by the audit committee members who have provided advice and comment thereon.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in note 8 and note 13 to the annual results, the Group did not have any other significant investment, material acquisition or disposal during the year.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the "**AGM**") will be held on Tuesday, 15 August 2017. A notice convening the AGM will be published and despatched to the Company's shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 10 August 2017 to 15 August 2017, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 9 August 2017.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 21 August 2017 to 23 August 2017, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 18 August 2017.

DIVIDEND

No interim dividend was paid during the year and the Directors recommends the payment of a final dividend of HK0.5 cent per share in respect of the year (2016: Nil).

PUBLICATION OF FURTHER FINANCIAL INFORMATION

The annual results announcement is published on the Stock Exchange website (http://www.hkexnews.hk) and the Company's website (http://www.deson.com). The annual report for the year ended 31 March 2017 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the Stock Exchange website and the Company's website in due course

By Order of the Board
Deson Development International Holdings Limited
Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong, 21 June 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Lu Quanzhang, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Tjia Wai Yip, William, the independent non-executive Directors of the Company are Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau.